

SWITZERLAND

In 1998, the U.S. trade deficit with Switzerland was \$1.4 billion, an increase of \$1.3 billion from the U.S. trade surplus of \$85 million in 1997. U.S. merchandise exports to Switzerland were \$7.3 billion, an decrease of \$1.1 billion (12.7 percent) from the level of U.S. exports to Switzerland in 1997. Switzerland was the United States' 19th largest export market in 1998. U.S. imports from Switzerland were \$8.7 billion in 1998, an increase of \$284 million (3.4 percent) from the level of imports in 1997. The stock of U.S. foreign direct investment (FDI) in Switzerland at the end of 1997 was \$35.2 billion, an increase of 16.5 percent from the level a year earlier. U.S. FDI in Switzerland is concentrated largely in the financial, wholesale, and manufacturing sectors.

IMPORT POLICIES

According to the organization for economic cooperation and development (OECD, Swiss farmers are one of the most highly protected producer groups in the world. Switzerland is self-sufficient in pork, dairy and other agricultural commodities but imports approximately \$6 billion worth of agricultural products annually, accounting for over 40 percent of total food consumption. The U.S. share of the agricultural import market is about 5 percent, which makes the U.S. the sixth most important exporter of agricultural goods to Switzerland and the largest outside the EU.

Switzerland is a relatively difficult market for many U.S. products to enter because of the high tariffs on agricultural products and preferential tariff rates for other countries, such as members of the European union. It is not clear if these special tariff rates fully conform to world trade organization (WTO) rules, since numerous agricultural products are excluded from the Arrangements. It is particularly difficult to export prepackaged food products because of the Swiss customs practice of charging tariffs on the gross weight of imports (since the weight of the package is included in the tariff).

Administration of agricultural tariff-rate quotas has also presented problems for U.S. exports, since Swiss regulations often allocate the quotas to importers that purchase domestic products. This requirement has increased the level of protection for domestic producers and in some cases, such as potato products, Has meant that it was not possible for U.S. exporters to ship under the tariff-rate quotas. Switzerland also applies tariff-rate quotas on imported wines.

U.S. industry estimates of increase in U.S. exports if the above impediments in the agriculture sector were removed: \$25-100 million.

STANDARDS, TESTING, LABELING AND CERTIFICATION

In general, Swiss standards and labeling requirements do not present any significant hardship for U.S. companies.

Genetically engineered food products from the U.S., such as genetically modified corn and soybeans, are subject to a relatively slow approval process and face strong opposition from Swiss consumer groups and retail organizations. In June 1998, Swiss voters defeated a referendum to ban biotechnology research and release of

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biotechnology products into the environment, in part due to concerns about the impact of this proposal on Medical research, but biotechnology products remain somewhat controversial.

Approval of biotechnology products has generally been slower than in the United States and European Union, which has led to situations where products approved elsewhere were banned in Switzerland. Two shipments of corn gluten meal were seized by Swiss authorities in March 1998 due to allegations that they contained genetically engineered corn varieties not yet approved in Switzerland. The shipments were not allowed to enter Switzerland after lab tests indicating the presence of unapproved corn varieties. The uncertain status of such imports has led to lower imports of corn gluten meal and other products from the United States. Once approved, genetically engineered food products are subject to strict labeling requirements.

Swiss import regulations for many agricultural products leads to some of the same problems in Switzerland that U.S. exports face in the EU. Certification of pet food continues to be a problem for U.S. exports. While the problem for pet food containing poultry was resolved in 1997, the problem with pet food containing beef has not yet been satisfactorily resolved.

GOVERNMENT PROCUREMENT

On the federal level, Switzerland is a signatory of the WTO government procurement agreement and fully complies with WTO rules concerning public procurement. On the cantonal and local levels, a law passed by the parliament in 1995 provides for nondiscriminatory access to public procurement. The United States and Switzerland reached agreement in 1996 on a text which expands the scope of public procurement access on a bilateral basis.

EXPORT SUBSIDIES

Switzerland's only subsidized exports are in the agricultural sector, where exports of dairy products (primarily cheese) and processed food products (chocolates, grain-based bakery products, etc.) benefit from state subsidies. Switzerland is gradually reducing export subsidies as required under World Trade Organization (WTO) rules. The Swiss government has negotiated, but not yet ratified, an agreement with the European Union that neither country will subsidize dairy product exports to the other which will allow Switzerland to increase subsidized dairy exports to non-European destinations.

LACK OF INTELLECTUAL PROPERTY PROTECTION

Switzerland has one of the best regimes in the world for the protection of intellectual property, and protection is afforded equally to foreign and domestic rights holders. Switzerland is a member of all major international intellectual property rights conventions and was an active supporter of a strong IPR text in the GATT Uruguay round negotiations. Enforcement is generally very good.

Since May of 1998 Switzerland has been in compliance with its obligation under TRIPS to protect company test data required by national authorities in order to obtain approval to market pharmaceuticals. The new regulation enacted by the Swiss intercantonal office for the control of medicines mandates a ten-year protection period for such data. Prior to this regulation taking effect, the lack of protection in this area negatively impacted one U.S. company. However, it is now very unlikely that any further problems will arise for U.S. pharmaceutical firms.

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Industry sources estimate lost sales due to software piracy at \$93 million in 1997 (out of a market value of \$2 billion for software). Trade losses and denied opportunities for sales and investment in all other IPR sectors are minor in comparison.

SERVICES BARRIERS

Switzerland's services regime appears to be as open as any in Western Europe. The telecommunications market, for example, has for the most part been fully liberalized And U.S. firms have established a presence here. One U.S. firm (as part of an international consortium) recently won one of the three government licenses to provide cellular phone services.

In contrast to the EU with its broadcast directive, Switzerland does not set specific limitations on the amount of non-Swiss or non-European origin programming that can be broadcast or shown in theaters. The government reserves the right, however, to require that broadcasters or cinema companies use a certain minimal share of Swiss production "if deemed necessary to Maintain the diversity of supply".

INVESTMENT BARRIERS

The Swiss welcome foreign investment and accord it national treatment. Foreign investment is neither actively encouraged nor hampered by any significant barriers. The federal government adopts a relaxed attitude of benevolent non-interference towards foreign investment. It confines itself to creating and maintaining the general conditions that are favorable both to Swiss and foreign investors. Such factors include economic and political stability, a firmly established legal system, extensive and reliable infrastructure, and efficient capital markets.

ANTICOMPETITIVE PRACTICES

There has been a very high degree of cartellization in the Swiss economy. A new law came into force n July 1, 1996, which deals much more harshly with cartels and similar associations than did the previous law. While cartels will still be permitted under certain limited circumstances (as they are in many countries), it should now be much more difficult for companies to justify to the authorities their continuation. It is too early to judge, however, how quickly or extensively the cartel situation in Switzerland will change. The existence of cartels likely does hinder some U.S. exports to Switzerland.

ELECTRONIC COMMERCE

The proportion of Swiss using computers and the Internet is quite high and the government generally supports promoting the evolution of electronic commerce with a minimum of regulatory interference. At present there appear to be no electronic commerce-related trade barriers in Switzerland. A number of U.S. firms providing Internet access service are active in the Swiss market.

Switzerland appears to be following the EU lead with respect to the Internet privacy issues. Swiss law stipulates that "personal data are not allowed to pass to a foreign country if the right to privacy of the person concerned is seriously endangered, in particular because there is no data protection that provides an adequate level of privacy protection to the Swiss one."

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